

Progress Report: Psychiatric Inpatient Capacity Project

Presented to the Green Mountain Care Board

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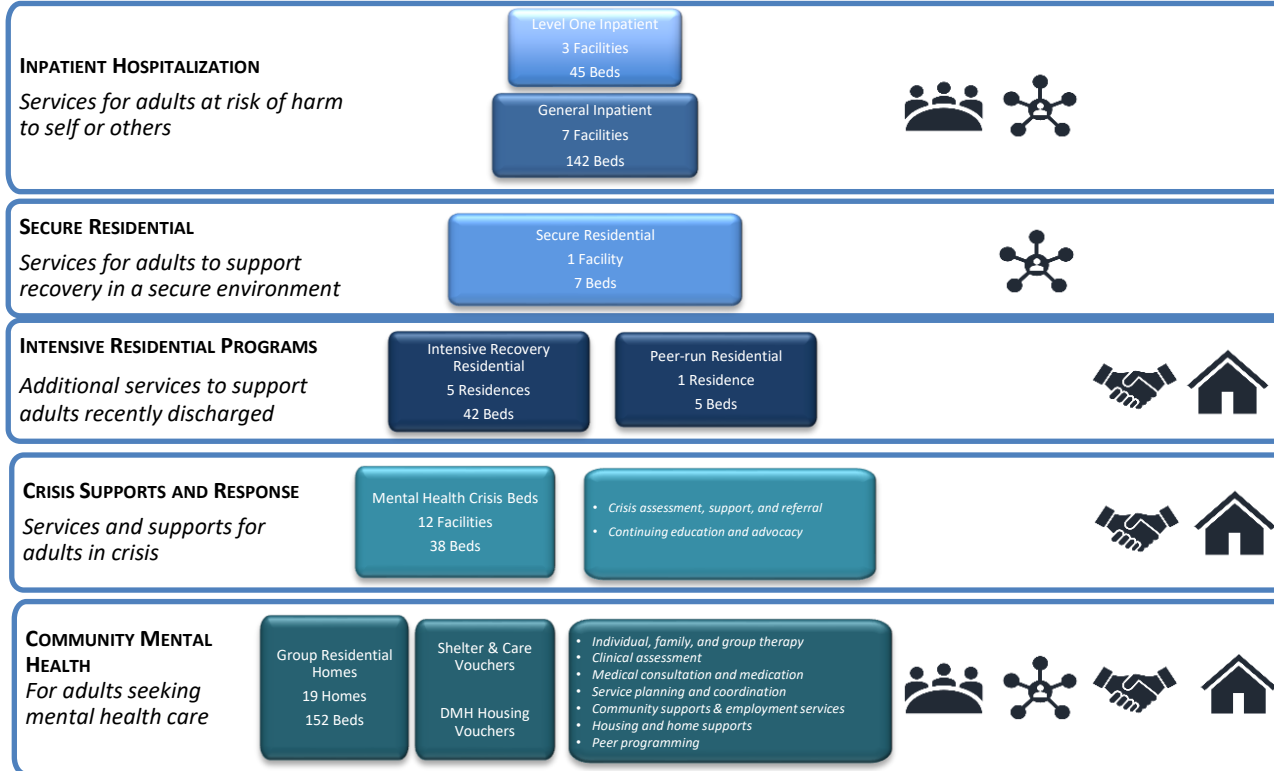
Overview: What We'll Address Today

- Need for the psychiatric inpatient capacity (PIC) project
- Our work to collaboratively design the facility
- Identification of project costs
 - 2020 design and capital cost estimates
 - 2022 redesign and revised capital and operating cost estimates
- UVM Health Network and our current financial reality
- Implication of cost estimates and our financial health

The Need For The Psychiatric Inpatient Capacity (PIC) Project



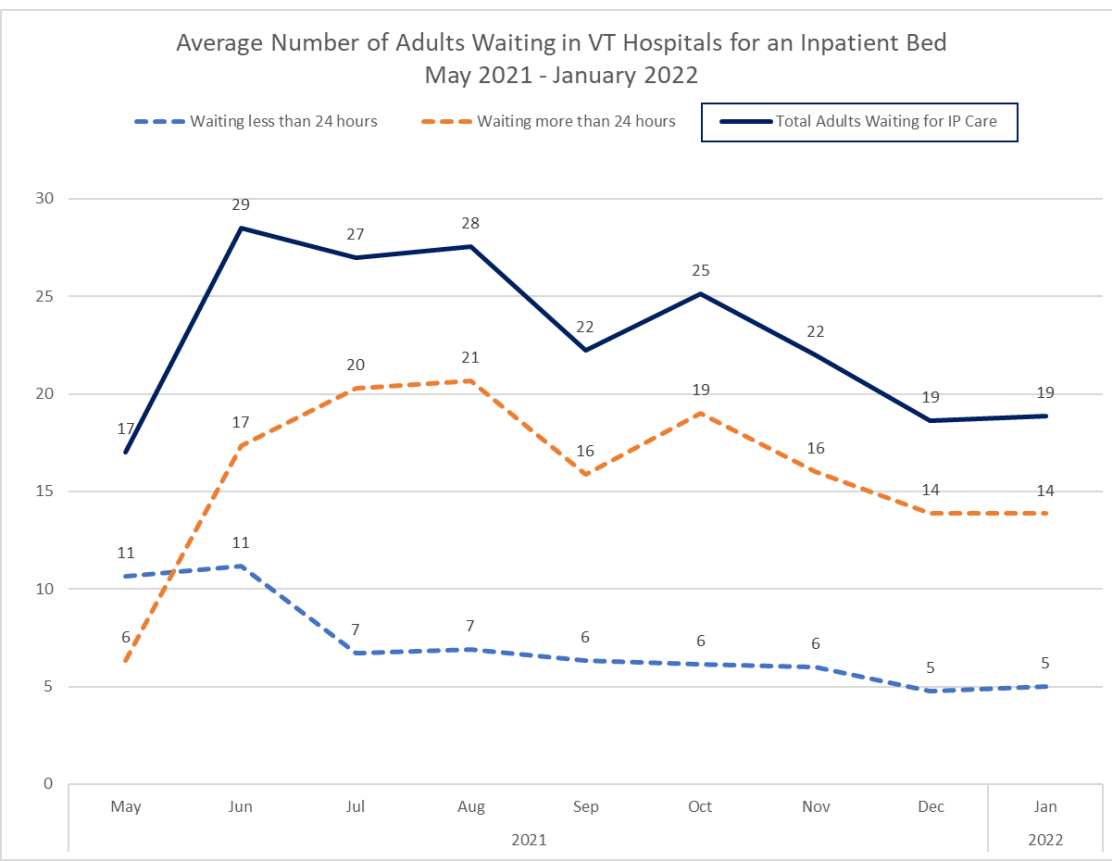
The PIC Project Responds To Only One Component of Mental Health Need In Vermont



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VT DMH
March 2022

Long Wait Times

Hospital Emergency Departments | Patients Needing Care



Across Vermont, patients continue to experience lengthy waits for appropriate mental health treatment in hospital Emergency Departments

Source: Vermont Association of Hospitals and Health Systems

Patients With Psychiatric Issues Arriving At UVMMC ED Continue To Increase

Fig 3a: UVMMC ED Annual Arrivals, Psychiatric, 2010-2021



2020 data is unreliable due to cyberattack.

Denis Hudon, UVMMC ED, denis.hudon@uvmhealth.org

UVMHN Responds To The Growing Need

- **Before the pandemic**
 - Increased inpatient beds at CVMC and UVMMC
 - Provided clinical leaders and staff to VPCH via contract
 - Developed plans for the integration of mental health care at all UVMHN primary care sites
 - Dedicated ED spaces at CVMC and UVMMC to patients with psychiatric issues
 - Increased investment in ED patient care attendants
- **During the pandemic**
 - Continued all efforts above
 - Hired travelers to maintain and expand capacity

Why We Committed To Take On This Project

- Our mission as a not-for-profit healthcare organization is **to improve the health** of the communities we serve.
- Individuals with mental health issues are **vulnerable and traditionally underserved** by both public and private payers.
- Since 2011, **Vermont has had a deficit** of inpatient psychiatric beds.
- We need to **reduce psychiatric boarders** in our Emergency Departments around the state.

The Sad Truth in Vermont

Inpatient psychiatric services are undervalued

Example: CVMC FY21 cost* coverage:

- Medicaid approximately 21%
- Commercial payers average approximately 58%
- Medicare approximately 38%

No payer covers the true cost. This is not parity.

* Total of FY21 inpatient psychiatry facility payments as a % of FY21 inpatient psychiatry facility cost

Our Work to Collaboratively Design the Psychiatric Inpatient Capacity Facility



How We Have Fulfilled Our Commitment

- Needs analysis
- Stakeholder engagement
- Program design
- Facility design
- Cost of construction
- Financial analysis/pro forma

Needs Analysis

- Bed demand model indicates need for 29-35 additional adult inpatient psychiatric beds, assuming that effective supply of inpatient psychiatric beds remains at current level.
- Medicaid Institution of Mental Disease limitations indicate CVMC could only consider 40 total inpatient psychiatric beds.
- Given that CVMC already has 15 inpatient psychiatry beds, only 25 additional inpatient psychiatric beds can be added to CVMC without jeopardizing federal payment for other patient populations.
- December 2019 update to the bed demand model showed need for 29-34 beds. ED volumes for calendar 2019 showed an increase over previous model runs, indicating no decrease in bed need.

Stakeholder Engagement

- Peer Advocates
- Patient and Family Advisor
- Nursing Staff/Leadership
- Mental Health and Emergency Department Technicians
- Psychiatrists
- Emergency Medicine Attending Physicians
- Social Work/Care Management
- BioMedicine
- Security
- Supply Chain
- Group Therapists
- Facilities
- Pharmacy
- Quality
- Business Planning
- Nursing Leadership
- Architects

Program Design

- **Operational Plan:** Operational and program requirements to include patient, family and staff design criteria; patient workflows; required support services
- **Staffing Plan:** Staffing models for each functional area, including direct and support service roles
- **Space Plan:** Space requirements for each functional area with a calculation of square footage

Facility Design

- New facility on CVMC campus:
 - 25 additional adult inpatient psychiatric beds
 - 40-bed adult psychiatry unit, including therapeutic care areas
 - 3 Tiers of acuity, including a Tier 1 unit for highest acuity patients
 - Single occupancy rooms
 - Designed to accommodate psychiatric patients with comorbid medical conditions
 - A relocated and expanded Emergency Department
 - Safely receive high acuity transported psychiatric patients
 - Support patient flow to new inpatient psychiatry units
 - Expand psychiatric care spaces, including spaces appropriate for pediatric psychiatric care
 - Sized to accommodate modern space requirements and forecasted ED growth for mental health and general ED visits.
- Connected to CVMC main hospital to best utilize hospital services including nutrition, laundry, environmental services and security.

Overall Site Design

Psych Support +
Mech

Tier 3

Tier 1, 2

ED



NEW PARKING
SOUTH OF FISHER
ROAD

Our Work To Identify Project Costs

The background is a solid dark green. Three curved lines sweep across the lower half of the slide. The top line is white, the middle line is a light green, and the bottom line is a darker green. They all curve upwards from left to right, with the white line being the highest and the dark green line being the lowest.

Cost of Construction:

Basis of estimates to date

- **2020: High Level Conceptual Design Project Estimate**
 - **\$148,000,000**
 - Based on conceptual design
 - Construction estimate based on square footage and historical data
 - Soft costs and equipment costs based on historic percentages
- **2022: Schematic Design Project Estimate**
 - **\$158,000,000**
 - Most complete and comprehensive estimate to date
 - Itemized capital project costs for all elements
 - Reconciled construction estimate, which reflects significant construction cost inflation
 - Initial value management incorporated:
 - Removed parking garage and two story hospital entry connector
 - Standalone mechanical systems/disconnection from existing plant: partially achieved

Financial Analysis

Project capital cost estimate: \$157.8M

Capital Costs *	
Facilities	\$ 121,444,965
Equipment	\$ 18,661,502
IT	\$ 4,436,460
Other	\$ 13,243,240
Total	\$ 157,786,167

Without outside funding, this project represents >50% of our most current 5-year capital allocation for new facility/strategic projects

* Not including capitalized interest

IPP Portion: \$100.7M

ED Portion: \$57.1M

Project Operating Cost Estimate and CVMC Financial Impact:

\$25M+ additional annual operating loss to CVMC financials

	Y1
Discharges	992
Total Patient Days	12,133
Net Revenue (\$M)	\$ 17.13
Total Expense (\$M)	\$ 46.80
Contribution Margin (\$M)	\$ (29.67)
CVMC Current IP Psych Margin	\$ (4.50)
Project Incremental Margin Impact	\$ (25.17)

Estimated reimbursement =
37% of total expense at
current payment rates

Medicaid Funding Considerations

- Productive discussions with the Agency of Human Services regarding a payment model that would cover our costs for Medicaid patients.
- Conceptual agreement that Medicaid would try to make break-even payments for their patients, subject to legislative appropriations.
- At this juncture, we needed to step back and assess affordability of this and all other major capital projects for UVMHN.

UVM Health Network: Our Current Financial Reality



Psychiatric Inpatient Capacity Project

Increases our inpatient psychiatric services loss from nearly \$13M to \$38M

UVMHN VT Affiliates: Inpatient Psychiatric Care Margin Loss			
	FY2021	New IPP Project (Year 1)	Change
UVMHC	\$ (8,200,000)	\$ (8,200,000)	\$ -
CVMC	\$ (4,500,000)	\$ (29,700,000)	\$ (25,200,000)
Total	\$ (12,700,000)	\$ (37,900,000)	\$ (25,200,000)

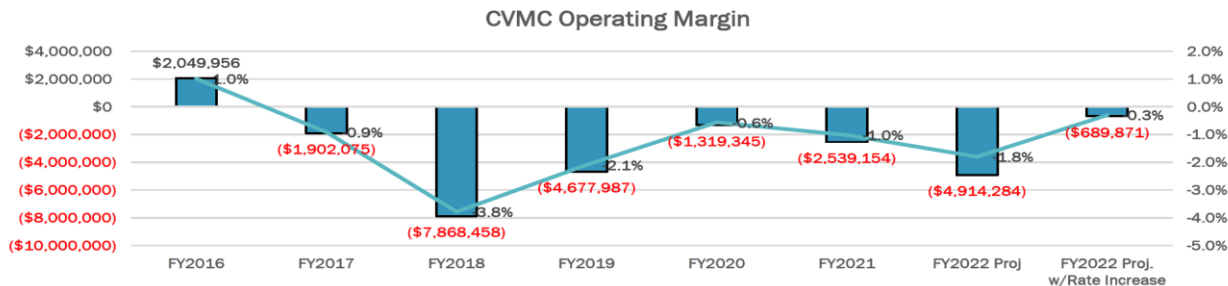
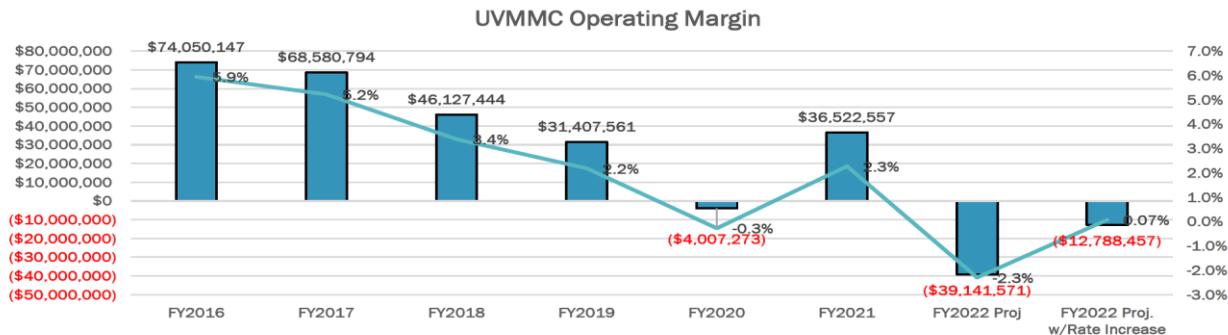
The UVM Health Network is Currently Under Significant Stress

- Thin or negative operating margins since 2018
- Expense inflation not covered by allowed revenue
- Aging facilities and equipment
- Diminishing cash reserves – 28 day decrease in days cash on hand since the end of the last fiscal year
- Workforce shortages:
 - Approximately 15% vacancy rate with roughly 2000 open roles, network-wide (an increase of 250% from the norm)

GMCB Staff Analysis

UVMMC and CVMC Mid-Year Budget Request

UVMMC & CVMC-Operating Margins



How is the financial health of the UVM Health Network determined?

The following graphs help us better understand the financial health of the UVM Health Network. A few terms to know:

Financial Sustainability Threshold

The indicator at which performance above signals short-term & long-term financial stability, allowing for prudent action on needed projects and initiatives. Operating above this line places the organization in a good position to weather occasional financial and operational challenges.

Financial Sustainability at Risk

The indicator at which, if performance is below for a sustained period of time, signals a threat to short-term and long-term financial stability. Operating below this line seriously impedes the ability for the organization to react to unforeseen financial and operational challenges. At or below this point, actions must be taken to correct the trend.

Note: These sustainability indicators are generally dependent upon each other—operating below the Financial Sustainability at Risk in any one area for a prolonged period of time threatens the overall health of the organization. Information on the following graphs is only for our Vermont hospital affiliates.

How is the financial health of the UVM Health Network determined? (cont.)

Operating Margin

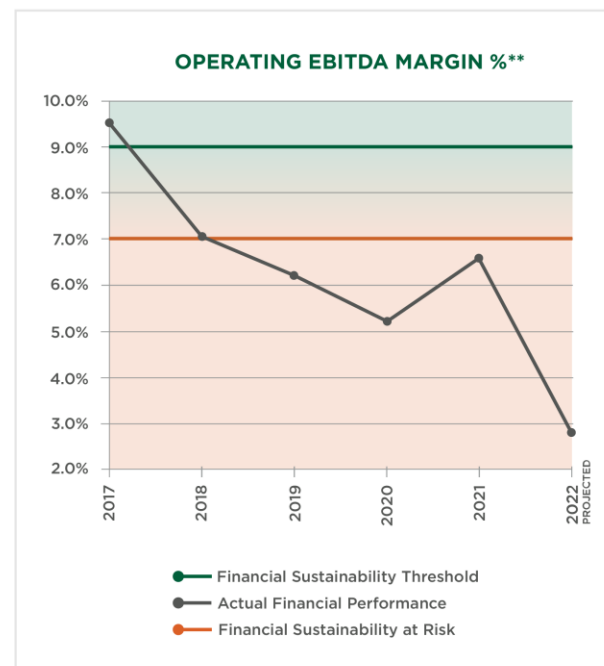
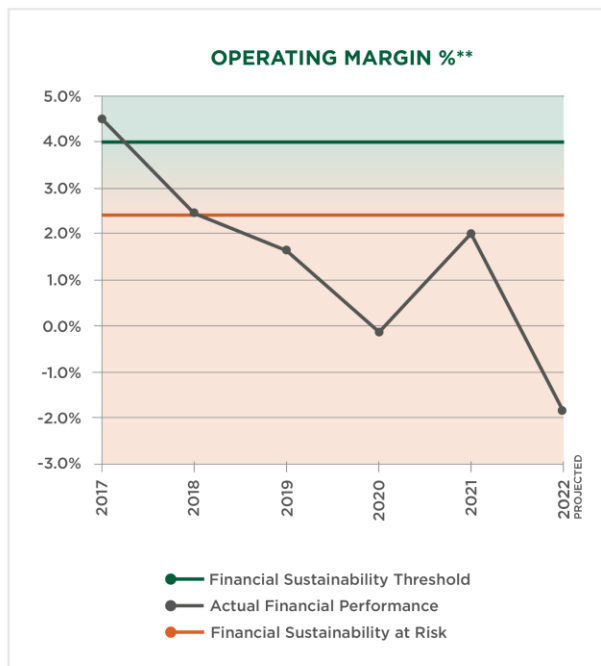
A common measure of financial performance, Operating Margin is the earnings a business generates from its core operating activities. It is a dollar amount and/or a percentage of revenues that exceeds cost of patient care or if there is a loss, it represents the cost of patient care that was greater than earnings.

Operating EBITDA* Margin

Operating EBITDA margin is considered a good indicator of an organization's true financial condition, measuring operating margin performance as a percentage of its revenue. Knowing the EBITDA margin allows for a comparison of one organizations' real performance to its peers.

*Earnings before Interest, Taxes, Depreciation and Amortization

**Vermont hospital affiliates only



How is the financial health of the UVM Health Network determined? (cont.)

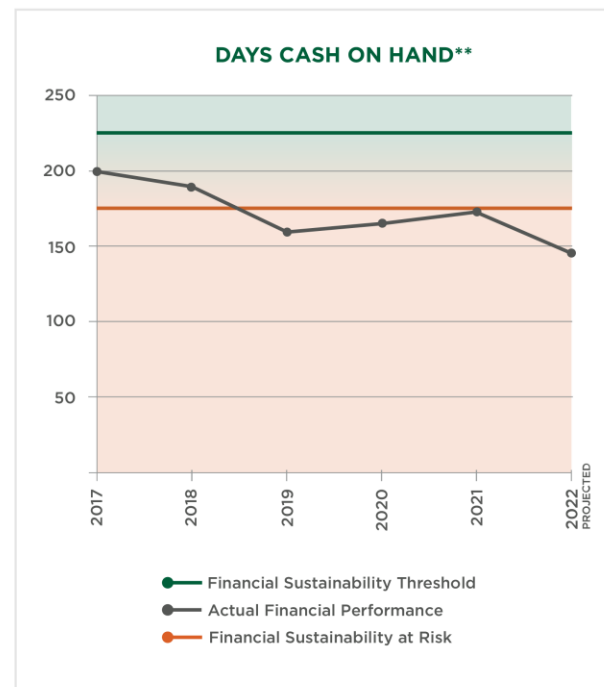
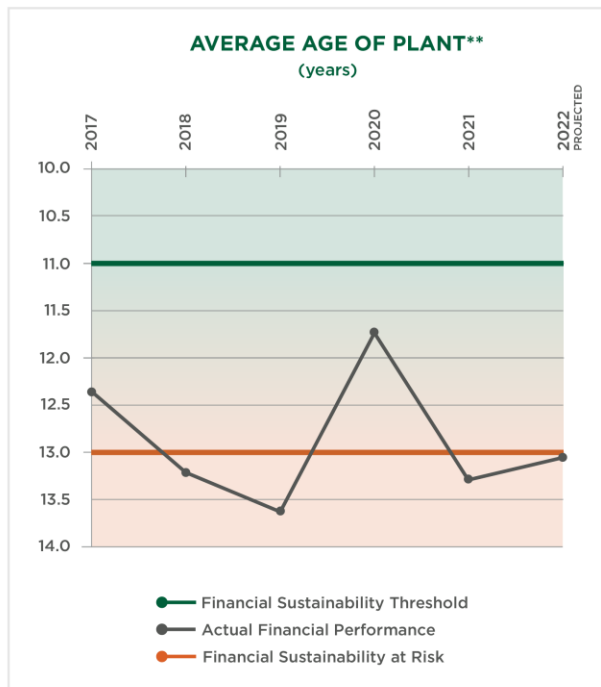
Average Age of Plant

This measurement helps determine if an organization has appropriate levels of capital investment to ensure capacity to meet current standards of care for technology, equipment and facilities for the communities and patients they serve. There are common benchmarks that inform an appropriate level by industry.

Days Cash on Hand

This represents the number of days a business can continue to pay its operating expenses with the current cash reserves available. There are common benchmarks that inform an appropriate level by industry.

**Vermont hospital affiliates only



Current Status of PIC Project

Implications of Cost Estimates and UVMHN Financial Health

Vermont Statutory Certificate of Need Criteria

UVMHN Financial Burden and Sustainability

A certificate of need shall be granted if the applicant demonstrates that the project serves the public good and the board finds: . . .

(2) The cost of the project is reasonable, because each of the following conditions is met: . . .

(A) The applicant's financial condition will sustain any financial burden likely to result from completion of the project.

18 V.S.A. § 9437

Summary of Current Scenario

- This project is needed now more than ever.
- The facility designed will cost an estimated \$158M to build.
 - \$100M of that is associated with the psychiatric inpatient portion of the project.
- Siting the facility in Burlington would cost even more and construction would take longer.
- We estimate the facility will **operate at an annual loss of \$29M.**

UVM Health Network Conclusions

- We cannot responsibly carry the project forward at this time, given our financial status.
- With respect to new facilities, programs and our long-term sustainability, we need to focus more sharply than ever before on whether costs are covered as we respond to patient needs.
- We stand ready and willing to complete our \$21M down payment on the project, but three other things must be in place for Vermont to capitalize on that investment for a project of this size:
 - The UVM Health Network and CVMC must be on firmer financial footing.
 - Another \$78M or more in capital is needed for construction.
 - We must have rates from all payers that allow us to break even.

**Thank you, and we would be happy
to answer any questions.**

UVMHealth.org

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HEALTH NETWORK